CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 15, 1998

H.R. 2748
Airline Service Improvement Act of 1998

As ordered reported by the House Committee on Transportation and Infrastructure on June 25, 1998

SUMMARY

H.R. 2748 would authorize the appropriation of $630 million for a loan program and air traffic control services administered by the Federal Aviation Administration (FAA) for fiscal years 1999 through 2003. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply. H.R. 2748 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no significant costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2748 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	126	126	126	126	126
Estimated Outlays	24	84	126	126	126

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that the entire amounts authorized in the bill will be appropriated by the start of each fiscal year. H.R. 2748 would authorize subsidy appropriations of $120 million a year for fiscal years 1999 through 2003 for loan guarantees to commuter air carriers that purchase jet aircraft for use in underserved markets. For purposes of this estimate, CBO assumes that the loans would be disbursed over a three-year period with the bulk of each year's obligations leading to disbursements in the year after obligation.

The bill would also authorize the appropriation of $6 million per fiscal year for a program to contract for air traffic control services at not more than 20 air traffic control towers.

In addition, H.R. 2748 would require the Secretary of Transportation to consult with the Department of Justice on joint-venture agreements and establish a written memorandum of understanding. The bill also would require the National Research Council at the National Academy of Sciences to complete a comprehensive update of the 1991 study on airline deregulation. Based on information from the National Research Council, CBO estimates that the cost of completing the six-month study would be less than $500,000. Upon completion of this report, the Secretary of Transportation would be required to submit a report to the Congress with responses to the findings of the council. In addition, the bill would require the Secretary to complete a report and possible guidelines on airline competition. CBO expects that the additional costs to the Department of Transportation would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2748 contains no intergovernmental mandates as defined in UMRA and would impose no significant costs on state, local, or tribal governments. In the aggregate, airports managed by state and local governments would benefit from this bill. It would establish a contract tower program and authorize $6 million to subsidize the cost of air traffic control services at no more than 20 locations not currently served by the DOT air traffic control contract programs. In addition, two communities, Dickinson, North Dakota and Fergus Falls, Minnesota, would no longer be required to match the money they receive from the Small Community Airservice Program. Finally, by earmarking some of the money currently authorized to support the essential air service program, the bill would redirect a total of $15 million over the 1999-2001 period to assist in increasing service to and from underserved airports.

The bill also would allow the Secretary of Transportation to grant air carriers flying to or from an underserved airport a small number of exemptions from slot regulations at the nations four high density airports. In general, as a condition of receiving aid from the Airport Improvement Fund, airports must agree to provide gate access, if available, to air carriers granted such exemptions. CBO estimates that providing this access would have an insignificant budgetary impact.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2748 would impose no new private-sector mandates as defined in UMRA.

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